



U.S. Environmental Protection Agency OFFICE OF INSPECTOR GENERAL

Selected OIG Accomplishments *April-June 1998*

This Quarterly Report of Selected Activities is produced by the EPA OIG, Nikki L. Tinsley, Acting Inspector General.

Questions concerning this update or requests for copies of OIG audit reports, reviews, or other documents should be directed to Edward Morahan, 401 M Street SW (2441), Washington, DC 20460. **Telephone (202) 260-6267.**

If you are aware of or suspect any fraud, waste, or abuse in any EPA programs or operations, please call the Inspector General Hotline or the nearest Divisional Office of Inspector General. **OIG Hotline (202) 260-4977.**

Visit the OIG Internet Site at **<http://www.epa.gov/oigearth>**

Audit Activities

Report Issued	Report Number/Program Office
EPA's Office of Water Data Integration Efforts Need to Be More Focused and Significant	E1NWG6-15-0001-8100177 Office of Water Office of Information Resources Management
Further Improvements Needed in EPA's Working Capital Fund (WCF) Financial Statements	E1AML7-20-7008-8100166 Office of the Chief Financial Officer Office of Administration and Resources Management All EPA Regions

Significant Report Summaries

EPA's Office of Water Data Integration Efforts Need to Be More Focused and Significant

Data management and cross integration of media have been a long-standing problem for EPA. Although the Office of Water (OW) has begun to address data integration, its progress has been slow. OW has not developed Information Technology plans, data standards or standard guidance that will facilitate data

sharing or integration of data across OW systems, except for one 1992 order. Without standardization and integration, EPA will continue operating stovepipe systems and may not have the environmental data needed to monitor state water programs. OW's lack of progress can be attributed, in part, to the absence of a formal Information Resources Management (IRM) structure. At the time of our review, OW had numerous projects underway to (1) increase public access to key water data through the Internet, (2) organize data by watershed, and (3) establish environmental indicators. However, OW

needs to centralize its IRM structure and work with EPA's Office of Information Resources Management to adopt an environmental data standardization process that will be mandatory for national water systems. Also, OW needs to establish a long-range strategic plan with measurable goals for its major information systems.

Further Improvements Needed in the Working Capital Fund (WCF) Financial Statements

We could not determine if the fiscal year 1997 WCF financial statements reporting over \$41 million were fairly presented. EPA did not have policies and procedures in place to accumulate and report in a timely manner all WCF revenue and expenses, and related receivables and payables. We were also unable to determine

whether WCF financial information was properly presented because EPA had not adequately identified or computed the value of its WCF property. These internal control weaknesses impacted not only the fair presentation of the WCF financial statements, but also the overall management of the WCF operations. We consider them to be material weaknesses. The development of WCF billing rates was inconsistent with EPA's fiscal year 1997 Appropriation Act which required WCF rates to be established that would return in full all expenses of operations. The WCF Board decided to exclude certain costs in developing the fiscal 1997 billing rates. Further, EPA did not have policies and procedures in place to timely identify and return overbillings. This resulted in any one-year appropriations expiring before the overbillings could be returned to EPA's program offices.

Investigative Activities

Action	Type/Case Number
Environmental Laboratory Sentenced to Pay \$5,557,234 for Criminal Fraud	Conviction 96-6009
CEO Ordered to Pay \$4,131,576 in Cleanup Costs	Civil Judgment 95-1018
Mississippi Resident Indicted for Fraudulent Relocation Benefits Claim	Indictment 97-4014
Two Indicted on Charges Stemming from Alleged Impersonation	Indictment 98-4006
Contract Laboratory Operators Plead Guilty to Misdemeanor Fraud	Conviction 97-5006
Former Laboratory Operator and Supervisor Suspended	Proposed Debarment 95-5014

Selected Prosecutive, Civil, and Administrative Actions

Environmental Laboratory Sentenced to Pay \$5,557,234 for Criminal Fraud

On April 9, 1998, Hess Environmental Laboratories, Inc. (Hess), of East Stroudsburg, Pennsylvania, was sentenced in U.S. District

Court, Eastern District of Pennsylvania, to pay \$5,553,634 in restitution and a \$3,600 assessment and was placed on 5 years probation. The sentencing follows a November 1997 guilty plea by Hess to nine criminal counts including conspiracy, false statements, false claims, mail fraud, and violations of the Clean Water Act, acknowledging that it repeatedly provided false water, sewage, and soil test results for an estimated 415 customers

from January 1988 to February 1997. Hess did not have the proper equipment to perform certain environmental tests and was not performing the tests according to accepted EPA methods. Hess customers relied on the test results to comply with federal and state environmental laws and to determine where and when remedies were needed to control hazardous, toxic, or contaminated substances.

As a result of this investigation, Hess closed in May 1997. Michael Klusaritz, the former laboratory director, and Judith McCoy, the former laboratory technical director, have already been convicted of federal charges relating to their participation in the criminal violations. Klusaritz is serving a one year prison sentence; McCoy has not yet been sentenced. William L. Hopkins, Jr., the former president of Hess, was indicted in March 1998 on charges of conspiracy to defraud the United States, making false statements to the EPA, violating the Clean Water Act, and mail fraud. The indictment charges that Hopkins knew that Hess did not have the proper equipment to perform certain environmental tests, yet directed Hess personnel to continue the fraudulent scheme to prepare, bill for, and mail false reports to customers for tests that were never performed and which contained fabricated results. The conspiracy affected schools, hospitals, local governments, and businesses, including the Tobyhanna Army Depot in Tobyhanna, Pennsylvania. *This investigation was conducted jointly by the EPA OIG, the EPA Criminal Investigations Division, and the U.S. Army Criminal Investigation Division Command.*

CEO Ordered to Pay \$4,131,576 in Cleanup Costs

On June 26, 1998, a civil judgment was issued in U.S. District Court, Southern District of New York, ordering Kurt J. Wasserman, CEO of Barrier Industries, Inc. (Barrier), to pay \$4,131,576 plus post-judgment interest for reimbursement of cleanup costs incurred by EPA at the Barrier site in Port Jervis, New York. The order also voided a property transfer from Kurt Wasserman to Mildred Wasserman, his wife, rendering the property available to satisfy the judgment against him and enjoined

him and his wife from transferring, encumbering, or disposing of any of his personal or real property.

As a result of an OIG investigation focusing on property transfers, a civil complaint had been filed in October 1995 against Barrier, Kurt Wasserman, Mildred Wasserman, and others under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 for recovery of \$3.4 million in expenses incurred by EPA as a result of the Barrier site cleanup. Kurt Wasserman and Harvey Scott Wasserman, his son who served as president, were responsible for Barrier's business operations. Barrier, a manufacturer of janitorial chemicals such as detergents, polymer-based floor finishes, phenolic disinfectants, acid-based cleaners, ammonia and solvent-based strippers and cleaners, car care products, and insect repellent paints, maintained and stored hazardous substances at the Port Jervis site. Earlier, in December 1997, a partial consent decree was issued ordering Harvey Scott Wasserman and his wife, Linda Wasserman, to pay the government \$120,000 as part of the cleanup costs.

Mississippi Resident Indicted for Fraudulent Relocation Benefits Claim

On May 19, 1998, Donald Nolan, a resident of Pascagoula, Mississippi, was indicted for fraudulently claiming benefits under the Agency's methyl parathion relocation program. The indictment charges that Nolan, who previously occupied a one-bedroom apartment, misrepresented the number of family members living in his household in order to qualify for two two-bedroom apartments and additional benefits he was not entitled to receive. Our investigation revealed that Nolan falsely claimed that ten dependents lived with him in the contaminated apartment, thereby fraudulently receiving more than \$5,000 and causing the Agency to incur additional costs because of the apartment rentals.

Under the relocation program, funded by EPA's Superfund and administered locally by the Army Corps of Engineers, EPA pays relocation costs and related subsistence for residents whose homes have been contaminated with methyl

parathion, a toxic pesticide licensed for agricultural use and banned for indoor use. Eighty million dollars of Superfund money have been earmarked for relocation benefits and cleanup costs associated with the misapplication of the pesticide in Mississippi..

Two Indicted on Charges Stemming from Alleged Impersonation

On May 11, 1998, Gary L. Jones and Nadine E. Starks were indicted in Fannin County, Georgia, on charges of false statements, forgery, and attempted theft by deception. The charges stem from allegations that Jones represented himself to an Ellijay, Georgia, homeowner as an employee of Atlanta Testing, Inc. (ATI), told the resident that ATI had contracted with the EPA to locate and remove canisters containing toxic waste, and stated that he had been directed by the EPA to perform soil tests under the concrete slab in their garage. The charges also allege that Jones presented to the homeowner a business card and letter purportedly from an EPA employee but which had been forged by Starks, stating that Jones had been directed to perform the remedial work. *This investigation was conducted jointly by the EPA OIG and the Fannin County (Georgia) Sheriff's Office.*

Contract Laboratory Operators Plead Guilty to Misdemeanor Fraud

On June 3, 1998, Xiaomang Pan and Brett Huffman Williams plead guilty in U.S. District Court, Eastern District of California, to misdemeanor charges of fraudulent demands against the government and of aiding and abetting. The defendants were operators at Anlab Analytical Laboratories, a California limited partnership and environmental laboratory specializing in water and waste water testing. Pan and Huffman admitted falsifying laboratory sampling data for an EPA contract by manipulating the computer generated sampling data in order to make the results appear to meet the quality assurance criteria and to avoid performing necessary quality control procedures. *This investigation was conducted jointly by the EPA OIG and the EPA CID.*

Former Laboratory Operator and Supervisor Suspended

On April 13, 1998, Noel Shrum, former operator, and Jim Hoch, former supervisor, National Environmental Testing, Inc. (NET), Santa Rosa, California, were suspended pending proceedings on proposed debarment. NET performed gas chromatograph (GC) analyses on EPA samples working as a subcontractor to Ecology & Environment, a Technical Assistance Team contractor, and to CET Environmental Services, an Emergency Response Cleanup Services contractor. Allegedly, Shrum and Hoch submitted and/or caused to be submitted false GC analytical reports on fuel samples to the United States Government. *This investigation was conducted jointly by the EPA OIG, the Naval Criminal Investigative Service, the Air Force Office of Special Investigation, and the Army Criminal Investigation Command.*

